

Rear Adm. Patrick M. Stillman, USCG
Program Executive Officer
Integrated Deepwater System
Sea-Air-Space Exposition
Washington, D.C.
April 7, 2004

Good afternoon. It is good to see a number of friendly faces here today, as well as people who are truly interested and devoted to the needs of this nation as it pertains to our national security and the reminder that the price of liberty worldwide is terribly, terribly severe.

I can't help but reflect upon the fact that this is probably my fifth opportunity to address Sea-Air-Space on the Deepwater enterprise. Unquestionably, as Admiral Allen [Vice Adm. Thad Allen, Chief of Staff, U.S. Coast Guard] articulated, this enterprise is at the heart and soul of defining the capabilities and capacity of the 21st-century Coast Guard.

Frankly, it is much more than that. It is much more than simply bringing improved capability to the men and women of the Coast Guard so that they can attend to the nation's maritime security and safety needs. It also about culture and transformation, and how an organization, a department, and a country cope with the need for constant change, agility, and flexibility while, at the same time, ensuring that the virtues and values that define the very foundations of one's habits are enduring. That is a constructive paradox that we wrestle with daily.

This is hard work. It is noble work, and it is terribly important. It is humbling to reflect upon the fact that we have only been on contract for 20 months, yet since the time the contract was awarded, over the past four budget years, we have been given the responsibility and stewardship of more than \$2 billion of the public trust. That, in turn, will be extrapolated into a marathon that defines the form and substance of Deepwater—that will extend conceivably to more than 20 years.

We will attend to the surface, air, C4ISR, and logistics needs of our Coast Guard. We will do so with a partnership that is fundamental to our success. That concept of partnership defines, in form and function, the true necessity of the habits and values that I spoke of earlier. We know—we are absolutely convinced—that the network and the strategic goal of awareness in the Department of Homeland Security define the very foundation of the Deepwater enterprise.

Indeed, this network, complemented by surface and aviation assets that are properly supported over their entire life cycle, will give the Coast Guard the operational effectiveness needed to attend to the many mandates that define our military and maritime roles. But equally important, this will be done so a productive paradigm that forces—*forces*—both industry and government to

attend to total ownership cost. That, my friends, is terribly difficult. *Terribly* difficult. It is worth doing.

There have been some people who have looked at the status of the Deepwater program at the present budget time and wondered why the 20-year marathon, as initially defined at contract award, has changed somewhat. The answer to that question is that change is fundamental our planetary existence, and it is *absolutely* fundamental to the agility and flexibility of this contracting strategy that will bring this enterprise to fruition.

The contract was awarded on an RFP [request for proposal] that was issued prior to 9/11. We purposefully made a decision not to pull the RFP, notwithstanding the challenge of the war on terrorism and 9/11's impact on the Coast Guard. Why? Because fundamental to the Deepwater enterprise is the construct of the network. Fundamental to the enterprise is the recognition that we indeed are bringing true awareness, true interoperability, and absolute integration across multiple domains to provide for more effective and efficient organizational response.

The fact that we are multimission, maritime, and military in our culture magnifies the potential for success. We recognized that safety of flight issues defined the necessity of re-engining our medium-range helicopter fleet *today* rather than 2006, when it was scheduled. That irrefutable necessity forced us to allocate funding to that endeavor and make trade-offs, but those tradeoffs are made with a full partnership of industry, such that we made wise and conscious decisions related to the investment that mandate and define our world of work.

Concurrently, in light of the operational tempo that our patrol boat fleet has experienced post-9/11 with expeditionary requirements to Iraq and elsewhere, and with increased op-tempo stateside in order to attend to homeland security and defense needs, it has become apparent that the conversion of the 110-foot cutters to the 123-foot across all 49 hulls may not be the best operational and business decision for the Coast Guard.

The fact that 20 of the boats have been characterized in serious condition requiring significant hull sustainment, and the fact that the MATAGORDA, the first 110-foot cutter brought into the line necessitated close to 30 percent hull replacement of her bottom rather than a suspected 10 percent, was a leading indicator. That indicator had been address consciously by the enterprise. We recognized that what we must do is to provide a workhorse for the Coast Guard that has the endurance necessary to succeed at the race.

We have to build a boat that will last for the life cycle of this enterprise—40 years. We are intending to engage in an enterprise of a technology demonstrator using a composite-hull form that will provide us the answer to that challenge. We have

done so with the recognition that operational effectiveness and total ownership costs must be fundamental in the decisions that we must make.

Concurrently, we know that in all respects there will be requirements changes that impact the definition of this enterprise. The Department of Homeland Security has defined the way ahead in that regard; as Admiral Allen indicated, he is the head of the Joint Requirements Council. The Investment Review Board, which is a group above the Joint Requirements Council, is responsible collectively for assessment of requirements in a post-9/11 operating environment. We are in the process of bringing the performance gap analysis, that takes the Deepwater solution as presently conceived and compares it to potential requirements changes that will define the enterprise in light of our homeland security and homeland defense responsibilities post-9/11.

That document is further complemented by a systems-performance specification that will provide the Coast Guard with a blueprint for the roadmap for the way ahead. It is certainly conceivable that not all those changes will be approved, but it is undeniably a fact that within the construct of the strategic goals of the Department of Homeland Security, there are certain changes that have to be made to the Deepwater enterprise. We have to ensure, absolutely, that interoperability and integration across multiple agencies define the way ahead. We have to ensure that at the end of the day, based on the input of the Department we support as well as Congress, that we can afford the capacity the Coast Guard needs to attend to the business of this great nation.

That work is ongoing. It is deliberate. It is well-conceived. As everyone in this room appreciates, requirements definition and change can be a force multiplier or a significant risk to any large acquisition. It is up to us, collectively, to ensure that the way ahead is well-conceived, properly defined, and attended to. The fact that we have to weigh operational effectiveness and total ownership cost in every point of that journey is a true force multiplier in terms of what lies ahead in that regard.

The Department of Homeland Security has noted that operational excellence is a core construct in terms of how we do our job in the future. Recently, the Deepwater enterprise received a GAO report that provided some appropriate and insightful recommendations in terms of not only program management, but also contract management as well as the issue of competition long term. Let me speak briefly to that, and I will be happy to take your questions.

I think one thing that organizations do, in general, extremely poorly is knowledge management. It is not necessarily endemic to the Coast Guard. It's true across the board. Large organizations have a very difficult time managing knowledge. I perceive that the GAO is a fundamental construct in terms of enhancing one's organizational ability to manage knowledge. Why? Because in our dialogue and discussion with GAO we exchanged more than 1,300 pieces of information or

150 real-time visitations that provided us an insight and comparison to what they perceive as the definition of excellence. In part, we recognize there is a need for improvement in terms of the use of integrated product teams. In part, we recognize that there has to be a legitimate and objective evaluation process that complements the subjective evaluation that defines the success of the partnership between the Coast Guard and industry.

Unquestionably, we recognize that competition long term is fundamental to ensuring that the American taxpayer sees value in this enterprise. How can that be when you have awarded a contract to a systems integrator that, conceivably, could be on contract for up to 30 years? I'll tell you how: through the proper use of performance as it relates to the award contract that defines this enterprise and the habitual embracement of the necessity for value in terms of our ability to work with industry as it relates to the selection of subcontractors as well as contractors in terms of the award of the foundation and structure that defines the Deepwater enterprise.

We believe that through proper use of the open business model, to the undeniable attachment to the need for competition that we, long term, will be able not only to satisfy the GAO's concerns, but serve as the best practice in terms of bringing value to an enterprise of this scope and schedule. That requires a commitment on the part of both government and industry and necessitates a sense of openness and sharing as it relates to information as well as decision making.

In short, it necessitates the need to live in the light. In that regard, one finds the true fundamental culture that is an absolute necessity for this enterprise to work long term. I am happy to report that I have no reservations regarding the commitment of the Coast Guard, Integrated Coast Guard Systems, or subcontractors that define the scope and scale of our enterprise that exists today.

In short, we are addressing the issue of post-9/11 requirements. We recognize the need for constant and continuous improvement. Excellence is not an event; it is a habit. We are convinced that we have the right partner to attend to that habitual exercise of excellence with a complete devotion to continuous improvement. You can also be rest assured that we will hold ourselves accountable, because we embrace the dictum that you are what you measure.

When all is said and done, that is the foundation of this enterprise. There is no compromise, none whatsoever, in that regard.

I look forward to your questions.